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# West Europe Report

(FOUO 37/81)



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WEST EUROPE REPORT

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TERRORISM

ITALY

RESURGENCE OF TERRORIST OFFENSIVE IN FACTORIES

Milan IL SOLE-24 ORE in Italian 1 Jul 81 pp 1,2

[Article by Guido Compagna]

[Text] Terrorists strike plants at Marghera and Arese. What this latest offensive means.

Milan -- The union people have finally admitted that it is there. It is no longer possible, since the Taliercio and Sandrucci kidnappings, to argue that the terrorists have not infiltrated the factories. It is also hard to argue that they have not penetrated the union as well, that they are not among the delegates or sitting on the Plant Council. In Arese, a member of the Plant Council has been a wanted fugitive for several months.

The Red Brigades have returned to the offensive. The renewal of hostilities only looks less sensational than things used to be: they are, right now, holding no fewer than four citizens at once: the former president of the Campania Region, Ciro Cirillo, Patrizio Peci's brother; two industry executives, Taliercio of Petrochimico's Rorto Marghera operation, and Sandrucci, of Alfa Romeo's Arese plant.

There is deep concern among executives at Porto Marghera. We got that word from Montedison's president Schimberni: you get an even better grasp of the situation when you read the documents the management association has on file. They call for solidarity in support of a class of people who are being made to pay for situations for which they are not to blame. They call upon the police to provide better protection. And they urge Montedison to do everything possible to rescue Taliercio, whom the terrorists have already publicly sentenced to die. In short, they reopen the agonizing question -- to negotiate or not to negotiate -- all over again.

This is the report on the last few days, with still another incident to swell the roll: the suicide on Monday of Carlo Mandelli, an Alfa Romeo employee who used to work with the kidnaped engineer, Sandrucci. What drove him to it? Was it fear? Was it nervous exhaustion? Perhaps it was a combination of both. In any case, it is one more bit of testimony to the pervasive climate of tension now affecting many plants.

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In union ranks the reaction to these most recent events is one of dismay. The Lombardy director of the CGIL-CISL-UIL has scheduled a seminar on terrorism for mid-July. Meanwhile, some union people will admit, in confidence, that this time the terrorists are beginning to gain a limited area of consensus. At Alfa Romeo, for example.

What new development has enabled them to do this? "First of all," says one union man, "now they know what things are really like in the plant. And then at Alfa Romeo there is a special agreement, the one on "worker-managed groups," that puts heavy responsibility on the union to restore productivity. And of course not everybody liked that. And some of the people who didn't are members of the Plant Council. And that's how the terrorists found new room to operate."

When you read through the Red Brigades' latest documents you discover that this time, along with the more conventional rabble-rousing slogans (the kind that were standard during the days of Curcio and Gallinari), there is a whole new vocabulary that is typical of Seventies-style "union-speak," coupled with a complete command of the standard terminology of labor debate.

Perhaps it is no accident that the terrorists adopted a no-profile attitude during the FIAT labor battle, when the union had taken positions of extreme belligerency. Similarly, it is no accident that the Red Brigades are so boldly surfacing at Alfa Romeo. Here is a reconstruction of the reemergence of terrorism at Arese.

March, 1980. The agreement on worker-managed groups had just been signed. At Alfasud it just squeaked through; at Arese it was approved immediately. And, right on the dot, came a document from the Red Brigades. This was no plant-gate flyer: it was an 84-page mimeographed booklet.

On the frontispiece, the five-pointed star. Two bold headlines read "Red Brigades," and below them stood "Alfa Romeo. Then came two slogans: "Let's attack and stop the bosses' plan backed by Massacesi and the bourgeois state!" "Let's push on with our program of struggle as we build the vital parts of the Mass Revolution!"

Then follow 84 pages of political and labor movement analysis. After the initial fanfare of sloganeering, it gets down to a sober and detailed discussion of problems in the plant, in all its disparate sectors. Nobody who had not taken part in the union's internal debates could have written it! There are a lot of graphics, diagrams, and tables illustrating the way the work is organized. At the end comes the signature: Red Brigades -- Walter Alasia Column "Luca" -- Walter Pezzoli Brigade "Giorgio."

That signature had appeared before, but, beginning in March, it was to be seen with increasing frequency at Arese. For example, in one shop, just the other day, they found a great long Red Brigade banner. Who managed to get it into the plant, past the security guard that had been tightened in the wake of these latest events?

And then, once the agreement on production crews had been reached, the union began having management trouble. There was a clash at Alfa over the number of workers with zero hours getting Income Supplement payments. There were very few of them, but the Plant Council opposed it. The Red Brigades were heard from again. Right after the agreement, in early March, they "kneecapped" Alberto Vallanzasca, a shop foreman. On 3 June they kidnaped Renzo Sandrucci, an executive who had taken part in the negotiations leading up to the work crews agreement.

In the first Red Brigade bulletin claiming responsibility for the kidnapping there is a reference to the argument over the Income Supplement Fund and some mention of the FIAT dispute.

Communique No 1 says: "Just recently Massaccesi and his executive staff have asked for Income Supplement Fund payments for zero work hours for more than 500 workers, obviously chosen from among the sick, the old, and the shop activists, a lesson also taught by FIAT. The management plan is clear: in order to get their anti-worker plans into effect, they must get rid of anybody who in any way tries to stave off the bosses' restructuring plans, as happened at the Foundry where the workers have the lowest productivity, and as happened in other shops where the workers voted down forced transfers. Agnelli has started using the same approach at FIAT: first asking for ICF payments to thousands of laid-off workers, then dismissals, then resignations, then retirement incentives, until now when they plan to refuse ISP eligibility to the rest of the 23,000 zero-hours employees and to force another 50,000 workers into the same situation."

Meanwhile, some arrests were made among Alfa Romeo workers. Two of the men arrested, Vincenzo Toraldo and Pietro Di Gennaro, have written to the Plant Council: they maintain that they are innocent, but the prime concern reflected in their letter seems to be to complain about the situation at Alfa Romeo. "On the one hand," the letter reads, "there is management's arrogance in promulgating a blacklist of 585 workers, by means of which they hope to strike a mortal blow at us here at Alfa as well as at FIAT; on the other, there is the Red Brigades' kidnapping of corporate board member Sandrucci.." Given these conditions, the two jailed workers admit that it will be hard for the Plant Councils to choose.

Perhaps, though, the most significant document in the Sandrucci kidnapping case, at least from the unions' point of view, is the one marked No 4.

First of all, it is not signed "Walter Alasia Column," but merely "Red Brigades." In the second place, it is dated Turin, and after three perfunctory lines about Sandrucci it deals solely and exclusively with the FIAT dispute.

There is a precise and minutely detailed description of the current discussions between FIAT and the metalworkers' union [FLM]; then they go back to the 35-day strike, during which the Red Brigades went into deep cover.

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Says the communique: "There was a time when we deluded ourselves that we could go on providing a voice for very strong anticapitalist sentiment, and upon that sentiment build a viable counterforce, and that we could hold out on that basis without having to reckon with a far more complex reality. The October struggle at FIAT raised issues that went beyond job security, issues that wrought havoc with and challenged the very concept of capitalist organization of labor."

There is no point now in trying to reach any general conclusions. What we are left with is impressions, albeit impressions bolstered by a number of union people. Terrorism has moved back into the plants at a time when the labor movement and organized labor are in deep trouble. This is a brand of terrorism culturally disparate from that of its historic roots. More a child of 1977 than of 1968; more the offspring of Autonomia Operaia [Worker Autonomy], that is, than of the student rebellion. In short, what we have now is a brand of terrorism that owes a good deal less to its classical revolutionary roots than it does to Professor Toni Negri's "Power and Sabotage."

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ECONOMIC

INTERNATIONAL AFFAIRS

UNITED COUNTERATTACK URGED AGAINST U.S. INTEREST RATES

Paris L'EXPANSION in French 3 Jul 81 pp 46-49

[Article by Jean Denizet]

[Excerpts] France's economic policy today depends on foreign exchange problems to a great extent: there are two such problems, which are very different in nature. The first concerns relations with the European Monetary System [SME]. The second has to do with the franc's accelerated drop in relation to the dollar, a fate shared by all European currencies.

Some good minds, among both socialists and the opposition, think that France should have left the SME at the start of the Mauroy government's operation instead of vigorously defending the current rate of exchange. This opinion cannot be allowed to prevail. Prior to 26 April, the franc was the subject of speculative attacks originating much more from outside than from within the country. As always, such attacks were not based on the objective certainty--rarely established--that the declared rate of exchange had become unsuitable or that it soon would be; they were simply based on the conviction that the franc's fixed rate of exchange within the SME would not be defended by the new government. Above all, this was a test of determination. It is clear that we must never give in to this kind of attack. Surrendering at the outset would have been psychologically disastrous. It would have been acting like the horseman who failed to impose his will on the horse that balked before an obstacle: the mount will balk before other obstacles.

Even if, for reasons that are more political than economic, the government wants to withdraw from the SME one day--which would be a mistake, in our opinion--it should not do so at the outset and under pressure from speculative attacks. It is not the political gesture that would be remembered, but the gesture of weakness, of surrender to outside attacks.

The Mauroy government's decisions were the best that could have been made: tightening exchange controls for residents, making them almost hermetic, establishing property currency, and finally and above all, affirming an absolute determination not to yield to speculative pressure. We should remember that most large-scale speculation is no longer domestic as it was in 1926, since foreign exchange controls (which did not exist at that time) are too effective; such speculation is found outside the country, among professionals attempting to obtain profits by selling a currency on the open market. Their sales attract a mass of followers; as the process snowballs,

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the defending government panics and gives in after exhausting part of its reserves; the speculators buy back the francs which they owe at very low rates in comparison to those of their promise to sell, pocketing a possibly huge profit and waiting for the opportunity to begin again. We have seen many operations of this type since 1967.

Brief, Dramatic Operations

In the case of such speculative attacks, there is no other possible recourse except to fight and counterattack.

There are hardly any international economic situations for which a government is totally defenseless. Perhaps the most disastrous effect of the oil-price increases by the OPEC oligarchy is that we have become accustomed to such situations of helplessness, which are now accepted too easily. Instead of trying to move Washington to show compassion for our fate through pleas which are barely heard, so strong is the Reagan administration's determination to carry out its own economic experiment, we should first consider what we can do ourselves, and possibly what weapons we can use to make the United States listen to us. At least two can be imagined.

First, the Bank of France could be authorized to transfer dollars to oil magnates at a rate intermediate between the exaggeratedly low rate of a year ago and today's exaggeratedly high rate. There are precedents for this, and ones which were less justified than in the present case.

Avoiding Hyperorthodox Measures

"Forcing petroleum to pay for itself" is a perfectly justified rule when it is a question of a dollar price imposed by the seller and a franc-dollar exchange rate complying with a certain economic rationalization. But when the franc price is the result of a purely speculative rate of exchange, destined one day or another to undergo a drop as great as its recent rise, an equalization of the various buying rates recorded during the period of rapid increase would be a sensible operation. We should be careful that the fear of being considered too lax does not lead to hyperorthodox measures that are ultimately destructive for the current policy, since their main drawback is driving up French prices at the worst time. We should admit that the decision of 10 June was a decision to make up for the previous government's alleged delay in dealing with the dollar's rise. The fact remains that as prices of petroleum products are established on the basis of a more and more expensive dollar, and one which is consequently less and less stable, it becomes more and more questionable to take serious inflationary risks. In a system of fixed exchange rates, it is essential for domestic prices to immediately reflect a devaluation which has been decided in complete independence and whose purpose is clearly to raise the franc price of imported products. We should not carry this rule over to the system of floating exchange rates, in which rates are subject to chaotic forces.

The second possibility of action: we are not condemned to passively witness the franc's accelerated depreciation in relation to the dollar. Any government can and must defend its currency against an unjustified decline. In this instance, the SME is not an obstacle, on the contrary. One of the most important clauses of the SME's charter is that member countries must regularly cooperate on the exchange rates for their currencies in relation to third currencies and adopt a joint policy in this

regard. This provision has remained a dead letter at a time when it has been most necessary. No one in the SME remembered it when the dollar began its irrational rise, i.e., when its exchange rate exceeded Fr 5 and DM 2.12, and even more so when it reached Fr 5.50 and DM 2.35 (unless the ultimate purpose of the French-German loan planned in April was the joint defense of the franc and mark against the dollar. This point will be discussed below).

#### No One Wanted to Intervene

Why has there been this acceptance of the free fall of SME currencies, the same SME whose praises we have continued to sing? Is it because everything seemed to be for the best in the best of worlds, with European currencies wisely grouped together in their decline? ... Carter himself was startled by the dollar's accelerated drop in October 1978. European governments did not have this same type of reaction. Was there really nothing to be done? Opinions had become polarized about the rise of American interest rates, which it was believed would cause the dollar to rise irresistibly.

False reasoning: the capital attracted by the high interest rates paid in New York could have made it there just as well at the exchange rate in effect when the rise first began. This is what would have happened in a system of fixed exchange rates and everyone would have considered that normal. It is because no one took action on foreign exchange markets to provide the fixed-rate counterpart of purchases of dollars seeking high rates that the dollar's rise was coupled with that of exchange rates. Floating capital has since speculated with one as much as the other. We now have a crisis of speculation over the rise of the dollar; this rise resulted from the increase in exchange rates but has since continued on its own.

SME member countries were not at all helpless to combat the dollar's rise, i.e., the decline of their currencies. On the contrary, it would have been very easy to act. They would have had to provide the counterpart, at the exchange rate chosen by them, of dollar purchases made to take advantage of New York's high rates, i.e., to sell the dollars requested. It is no doubt understandable that they were reluctant to part with their reserves of dollars or strong currencies, especially those member countries which were afraid of one day being forced to defend the (fixed) exchange rate of their currencies within the SME. But moves to stabilize a currency are seldom made with the reserves of the country or countries attempting the stabilization. Believing in the effectiveness of its action--this is certainly the minimum requirement--the stabilizing country places itself in a position to exchange its own currency. We should recall Carter's first stabilization attempt in November 1978: the plan specifically consisted of obtaining, by borrowing, the European and Japanese currencies which he needed to slow the rise of those currencies in relation to the dollar. When those currencies began to decline in late 1979, the marks, Swiss francs and yen borrowed in 1978-79 and which were still owed, were repurchased by the United States on foreign exchange markets for much less than they were sold a few months earlier, then repaid. This is the typical operation of a successful stabilization move. Poincare's loan in 1924 from Morgan Bank to defend the franc left the treasury with a substantial profit after repayment.

Borrowing a large amount of dollars to operate with is the easiest thing in the world today: the Eurodollar market is there with its inexhaustible resources, at least

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when the borrowers are SME member countries. Expensive? No. The dollars borrowed would be immediately sold against marks, French francs, florins, etc.: this is the purpose of the operation; the rise of the dollar must be prevented and the decline of those currencies at the same time. The counterparts obtained would be immediately replaced on the Euromarkets for those currencies; the cost would only be the difference between the American rates and the European rates. The final profit from the operation would probably pay off such interest charges. And in any case, the stabilization of European currencies will cost less than their current decline.

## An Agreement for the Seven Exchange Rates

We will never know if this was the type of operation which Mr Barre had in mind in the weeks preceding 26 April. If that was the case, Germany's agreement meant a great deal: it implied a joint defense of both currencies against the dollar and consequently an agreement on a forked dollar-vs.-franc-and-mark rate. Because of the SME, it is the seven exchange rates which the two central banks would have agreed to defend. The idea should not be rejected apriori because it was launched by the Barre government. On the contrary, it should be carried to completion and given its full European logic. All SME member countries should make the decision to take out a loan in dollars, jointly and severally. They should all endorse the idea of a joint defense of European currencies against the dollar and agree on the procedures for this joint action.

Thus we would still suffer from American interest rates, but we would no longer suffer from the dollar's appreciation and its inflationary effects on our economies. The choice of the exchange rate which the SME would establish for the dollar would no doubt be difficult. The dollar could not be reduced to too low a rate, thus giving it back a competitive advantage which its rise has caused it to forfeit for several months. Similarly, it will be necessary to decide between a low dollar rate, which lowers the price in national currency of imports priced in dollars, and a higher rate, which retains normal competitiveness for European exports. Mistakes will undoubtedly be made, but ones which can still be corrected. In any case, they will not be as serious as total surrender to the absence of reason, which is the current position. The accelerated and totally unjustified decline of European currencies is a threat to Europe's financial role, its development possibilities and its political role.

## Less Helpless Than Would Appear

American interest rates still remain. Convincing the United States to abandon them is a hopeless task: the Reagan administration identifies totally with monetarist ideology and intends to prove its validity through sheer determination, indeed even unyielding obstinacy. As disturbing as this behavior may be, we should first consider it coldly, from the sole standpoint of our short-term interests. We are not as helpless as it would appear. First of all, it is highly uncertain that we are obliged to "stick" to the American rates as we are doing. The technical measures taken on 23 May are effective and, like the English and the Germans, we could no doubt unhook our short- and long-term rates without hesitation. Then, if we are not afraid to take this risk, it would be possible to gamble with the movement of exchange rates. Having regained control of European exchange rates, a movement to lower the dollar very quickly would be initiated so that possible capital losses

on that currency would exceed expected gains in interest. Paralleling this, the chances of capital gains on European currencies would exceed the difference between American rates and European rates. Thus we would regain control, via the medium of foreign exchange, over our domestic rates.

The "aberrant" interest rates which are "destructive for the world economy," practiced by the United States for a year and a half with brief interruptions, are perhaps even more harmful than the most worried critics believe. In reality, it is possible that nothing threatens the Western world today more than the desperate attempts being made, with their backs to the wall, by the doctrinaire theorists of the most rigid and most intransigent monetarism. In view of this risk, Europeans must first close ranks. They will be able to effectively fulfill their duty to help an ally in danger only through unity, understanding, patience and determination.

It is often in the most serious crises that the impossible seems possible. For a year and a half, the SME has helped Europeans to overlook the accelerated decline of their currencies (and consequently of their financial power). Each nation seems to have surrendered to the helpless SME the responsibilities of any government for its own exchange rates. But it is conceivable that, following the dictates of necessity, Europeans will realize that they have to defend their currencies, and that they will then discover the reason why the SME was established: to be an instrument of force, because it unifies and increases the efforts of all. If a decision-making center were thus to appear on this side of the Atlantic at a time when the American decision-making center seems to be momentarily obsessed with a certain idea, the Western crisis would then have a chance of reaching an outcome less tragic than the one which may be feared today.

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ECONOMIC

INTERNATIONAL AFFAIRS

SOCIALISTS PROPOSE 'EUROPEAN DEVELOPMENT BOARD' FOR EEC

Milan IL SOLE-24 ORE in Italian 23 Jun 81 p 3

[Article by Giorgio Ruffolo: "The European Challenge Is Taking Hold in the South"]

[Text] An agency for the development of the EEC [European Economic Community] weak areas.

We publish [below] large extracts from a document on the regional policies of the EEC that were elaborated by a group of socialist deputies in the European Parliament and coordinated by Giorgio Ruffolo. The proposal for an agency in charge of development was presented by Ruffolo himself at the Thursday session, on 18 June.

The prospect of inclusion by the Community first of Greece and after that of Spain and Portugal points out in radically new terms the matter of territorial imbalances, requiring a thorough revision of economic policies and of the present pattern of Community growth.

In 1957, in the South of Italy the EEC had the real and sole problem of regional underdevelopment of significant dimensions (equal to about 8 percent of the Community population).

In the future "Community of 12" the areas to be developed represent a little less than 20 percent of the European population and as the diversities and the heterogeneity of problems are accentuated, the structure of the Community will tend to become dualistic or even "trialistic."

In the face of this new historical prospect, one must note a preoccupying state of unpreparedness and of confusion at the Community level. The matter is still being dealt with in a bureaucratic and passive manner, as if it were a question of forcing new Community realities into a mould of pre-existing policies and instruments and not, as is instead necessary, of making profound innovations in both instruments and policies in order to adapt them to the completely different conditions of a new Europe, one in which the Mediterranean component is about to acquire very considerable importance.

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Under these circumstances, the expansion can turn out to be an element of separation rather than of reinforcement of the Community, as moreover occurred with the failure of the integration of Great Britain, a further impetus to the dangerous tendency, now in progress, to abandon solidary behavior and to try to maximize, according to the relationship of strength, national benefits, minimizing costs (also through the accentuation of protectionist practices). It is in this climate that the principles of the "just return" or of the "two-speed" Europe are asserted, which in practice represent the negation of a Community.

Therefore, to avoid this serious risk, it is necessary to take advantage of the opportunity of expansion to delineate a new Community plan for a more balanced growth, in which the matter of North-South dualism will no longer be compressed within the constraints of a subordinate and marginal regional policy, but will become the central element of a complex planning strategy for European development.

The particular importance that the Mediterranean component will come to assume under the new circumstances of the "Community of the 12" suggests the opportuneness of promoting, as an important element of this strategy, a big "planning framework" for the development of the regions of southern Europe, to make of them an effective instrument for the integration of the "new countries" into the Community and, at the same time, a developmental frontier for the existing member countries.

In the present general lines of the regional policies, conceived by both the individual states and by the Community for the support of depressed regions, the basic characteristic appears to be that of the pursuance of a "single and homogeneous model of development," which is translated into the objective of the realignment of backward regions with the conditions of production and of the standard of living of the strong areas, based also on an instrumentation that is centered on intensive and thorough development.

Today it seems clear that the implicit or explicit choice of a "quick implementation strategy" in depressed areas of the model furnished by the more highly industrialized areas is illusory, impractical, and contradictory.

In the first place, it has in fact been shown how the balancing of the conditions of income and productivity of the retarded regions with those of the advanced regions, through a forced and accelerated developmental policy in the case of the former, would moreover require a long time. In fact, in the backward areas the organizational-industrial structures are increasing and changing only gradually; and consequently an increase in high productivity jobs cannot be accelerated at will.

It is a question of a real possibility of quickly aligning (that is, during politically acceptable periods) the economy of these areas with the conditions of the more advanced zones.

There thus emerges the need--emphasized in the Giolitti Report, itself--to exploit the developmental potentialities existing in the various disadvantaged areas, and

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in which new and different models of industrial take-offs are often delineated, characterized by a kind of "diffused" and not heavy growth, by the great expansion of small and medium enterprises, by a more balanced relationship between industry, agriculture, and services.

The strengthening of the developmental processes that have been autonomously set in motion in the various areas in turn requires a profound revision of the policies and of the instruments of intervention. In fact, the actual experience of these processes emphasizes how the priority need is that of an organic action for promotion and assistance, limited only to financial aid, to enterprises that are operationally deficient in organizational and managerial capability, productivity, and equipment for services and information.

The need to exploit developmental strategies that are suited to the existing potentialities of the various areas and the growing mobilization difficulties regarding the transfer of resources to disadvantaged zones, because of the international economic crisis, emphasize the need for future regional policies to be based on institutions that are different from those that are traditionally charged with the much less complex assignment of financial incentives.

It is a question of promoting the creation of "agency-type" organizations that are capable of more effectively carrying out multiform planning activities which under the new circumstances are needed for the development of backward areas (transfer of technology, know-how, organizational and managerial capability, commercial assistance, etc.).

From this point of view it is important to consider some elements that have resulted from the actual experiences of some areas that have tried new models of economic take-offs:

- The decisive role of occupational and industrial training;
- The need for an active participation on the part of the regions concerned, avoiding the error of programs that come down from above;
- The importance of a balanced developmental process between agriculture, handicrafts, small industry, and services;
- The decisive contribution of small enterprises, and in general of the closely woven fabric of small initiatives for jobs.

While there are ad hoc organizations and agencies that have been operating for some time in various countries, up to now there has been a lack of coordination and impetus with respect to these initiatives at the Community level. It is thus essential to proceed in the direction of the establishment of a Community "pool" of real resources capable of exercising this impetus. Hence the proposal of the creation

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of a European Development Board [OES]. The new organization, directly under the authority of the committee, should carry out three basic functions:

- a. Assist governments and local authorities in the singling out and in the elaboration of specific developmental plans;
- b. Organize information and technological activity and the transference of technical and administrative know-how to the less developed regions.
- c. Promote industrial undertakings in the regions, themselves.

The structure of this organization, which should have a certain operational autonomy within the context of a well-defined Community program, should be very flexible, have a very limited staff, and have an expert central structure. However, this personnel could be varied from time to time, according to the nature of the work program.

In other words it is a question of instituting an "administration for plans and for missions"; an administration that "gets things done," not a bureaucracy that manages.

It is also necessary to guarantee an active participation on the part of the regions interested in the "missions," in the various phases of elaboration and the execution of plans. Finally, plans for the development of the "member countries" of the Community (ACP) could be entrusted to the OES, concretely coordinating regional developmental policies with economic cooperation policies.

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ECONOMIC

ITALY

BANK OF ITALY PROPOSAL TO REFORM BANKING SYSTEM

Milan IL MONDO in Italian 3 Jul 81 pp 15-16

[Article by Nicola Forti: "Ciampi Wants Revolution"]

[Text] Carlo Azeglio Ciampi has turned the page. The governor of the Bank of Italy, following long consultation with many experts and jurists of all persuasions, recently presented a memorandum which would profoundly change the faces of the large public banks. The Banca Nazionale del Lavoro [BNL], the San Paolo, the Monte dei Paschi, the banks of Naples, Sicily and Sardinia and all the savings and loan associations, that is half, in terms of importance, of the entire Italian banking system, would be required to abandon a series of ancient encrustations that now are obsolete.

Never in the past 40 years has the Bank of Italy committed itself to such a broad program. So far Ciampi's predecessors had always preferred small adjustments of regulations. In order to draft the document, which the Bank of Italy will propose to the government and Parliament for eventual legislative changes, Ciampi has involved the entire legal staff of the bank, the economists closest to him and a number of students of economic law, including Fabio Merusi, Giuseppe Ferri, Enzo Capaccioli and Sabino Cassese. The Bank of Italy document has two basic points:

1. The banks involved have no special public function. Ciampi is clear-cut: "They are public only because they are so," that is only by virtue of historical tradition. No one, not even the government, can think of using them for political objectives of any kind. On the contrary, that is, to what happened in the 1960's and the 1970's, when they served all uses in order to carry out economic policy, or worse, for purposes of patronage.

2. The activity of a public bank must be identical to that of a private bank. The only objective is maximum profit with the most rigorous and impartial analysis of risks of insolvency. "So far, instead, many regulations were frightening," they comment on Via Nazionale. Ciampi clearly denounces the mile-long lists of restrictions: the concessions of loans only with land and real estate as collateral; the absence of internal control; and the impossibility of receiving capital from abroad.

Ciampi's operational proposals emerge from these premises. The public banks must be fully inspired by the model of the corporation. How?

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1. The banking corporations, that is where capital is divided among many members (for the time being the only one is the BNL), can increase corporate capitalization in two ways:

--issuing shares like savings and loan shares, freely transferable and quoted in the stock market, open to all savers;

--selling certain quotas of a minority of capital control to new banks and Italian and foreign financial institutions when capitalization is increased. These quotas, however, would not be allowed to be sold freely.

2. All other public banks, which are organizations on an institutional base with unshared capitalization, could increase this capitalization in two ways:

--creating a special fund backed by shares that give no power of control, but which in exchange have a privileged yield linked to the bank's profits;

--obtaining, as happens abroad, subordinated loans. This would be used in the case of large-scale medium and long-term financing, which in the event of the bank's liquidation would be reimbursed only after all other creditors are paid. In practice, it would be a stable fund, very close to risk capital.

For the BNL the first course has already begun: President Nerio Nesi and all the leadership agree fully but the shift does not end here: The Bank of Italy also will propose to the other five banks the public right to transform itself from a foundation to a corporation accepting private capital. Clearly prohibited, as far as Ciampi is concerned, is the course that provided for the creation of a double bank: the parent organization which remains a public foundation, and the subsidiary, the real operational bank, a new stock company with a minority in the hands of private individuals. Regarding savings and loan institutions, they in any case will remain as organizations with an institutional base. In all cases however, business affairs would be more efficient and there will be greater internal control:

--instead of the present decrepit statutes, the general principle will prevail that all banks and all savings institutions can operate in the entire sector of intermediation with very few precise prohibitions;

--all public banks must have the same decision-making organs: the board of directors for operational aspects, the administrative council for general direction, and the trade union panel for control on legality of decisions.

But Ciampi also proposes two new organizations to increase control and avoid abuse. A watchdog council, which would be intermediate between the board of directors and the administrative council, with representatives also of the minorities, which would ensure a proper and profitable administration. And for banks which involve charitable activities, this would be decided by an external group and not by the board of directors.

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MILITARY

FRANCE

ORGANIZATION, MISSION, FUTURE OF NAVY'S AIR FORCE

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[Text] With the exception of a short account devoted to the aircraft carrier "Clemenceau" and published in our Number 23, French Naval Aviation has been neglected by our periodical. We are devoting the following article to it, presenting the mission, organization and equipment of Naval Aviation, as well as its future prospects, in order to remedy that neglect and to satisfy the many readers who have requested it of us.

The fact that, barely 40 years after the Pacific Campaign had proved the importance and effectiveness of onboard aircraft, there now are only eight countries in the world still equipped with aircraft carriers is a paradox due to the recent development of military technology. Furthermore, and this is true particularly of Great Britain, the Soviet Union, Spain and India, those aircraft carriers have only very little in common with the aircraft carriers facing each other at Midway. Not only their name has become light aircraft carriers, but also they carry primarily only helicopters and, at best, vertical takeoff aircraft with reduced performance. In fact, only four countries still have traditional aircraft carriers in their lineup and, it must be emphasized, France is in second place, after the United States, in number of aircraft carriers and in amount of onboard aircraft.

But now, carrier-based aircraft are merely one component of Naval Aviation, because this term also covers shore-based units whose main mission is of a seagoing nature. Moreover, it has been possible to see, with the exception of France and the United States, a strengthening of the "land" component to the detriment of onboard aircraft, which has, moreover, taken concrete shape in the proliferation of sea patrol aircraft to the detriment of carrier-based fighters.

This evolution is what we are analyzing in particular in this study of Naval Aviation in 1981.

Organization

As astonishing as it may seem, Naval Aviation has no administrative existence of its own. In fact, the Navy's air units are attached to the Navy Command without forming any kind of entity of their own. Thus, the term Naval Air--a colloquial corruption of Naval Aviation--designates all the air means that the French Navy has, regardless of whether it is a question of onboard fighter squadrons, helicopters or sea patrol aircraft.

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From a functional point of view, some of those air units of the Navy are grouped, according to their missions, in two large operational commands--Aircraft Carriers and Embarked Air Squadrons (ALPA) and Sea Patrol Aircraft (ALPATMAR)--to which are added training formations and service formations. It should be noted that only units belonging to the two operational commands are called squadrons; the others are called flights.

At present, Naval Air, 13,000 men strong, operates close to 400 aircraft. In addition it has eight air bases ashore, six of which accommodate combat units.

Embarked Air Squadrons, which their present commander, Rear Admiral Montpellier, describes as "the eyes and teeth of the fleet," have some 110 aircraft and 30 helicopters, operated by 1,800 men, including 240 pilots, distributed in 12 fighter squadrons, three attack squadrons equipped with Super Etendard, an interception squadron equipped with F8E(FN) Crusader, a photoreconnaissance squadron equipped with Etendard IV-P, two antisubmarine warfare squadrons equipped with Alize, two squadrons equipped with Super Frelon and one responsible for all-weather antisubmarine warfare and the other responsible for attack transport, and three Lynx squadrons, whose mission is both antisurface and antisubmarine warfare.

The first nine squadrons are normally carried on the aircraft carriers "Foch" and "Clemenceau," both assigned to the Mediterranean squadron since 1975, while the three squadrons equipped with Lynx, making up the "squadron helicopter force," equip the new French Navy frigates and corvettes at the rate of two machines per ship.

When they are not seaborne, these units are distributed among six naval air bases (BAN), three in the Second Maritime Region (Landivisiau for jet aircraft, Lann-Bihoue for Alize and Lanveoc-Poulmic for helicopters) and three in the Third Maritime Region (Hyeres for jet aircraft, Nimes-Garons for Alize and Saint Mandrier for helicopters).

Sea Patrol Aircraft (PATMAR), in turn, consists of five squadrons, four of which are equipped with Atlantic Mk 1 and one with Neptune, two are based at Nimes-Garons and three including the Neptune squadron) at Lann-Bihoue.

Added to these two large commands are three training formations (School for Specialization in Multiengines, Flight Personnel School and Onboard Fighter School, respectively Flights 55S, 56S and 59S), as well as several service units (see table), two of which also carry out sea surveillance missions: the 9S, based at Noumea, and the 12S, based at Tahiti.

With regard to the geographic distribution of the squadrons, it will be noticed that there is a considerable disproportion to the benefit of the Second Maritime Region, which has 11 squadrons, compared with only six stationed in the Third Maritime Region.

#### Missions

Naval Air handles a very broad range of missions. Onboard aircraft are responsible not only for air defense of the fleet and its antisubmarine protection, but also for attack on land and surface targets. In addition, since the time when the Super

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Etendard became operational, it has been assuming tactical nuclear strike missions, giving a new dimension to the fleet's offensive--and deterrent--capabilities.

With regard to sea patrol aircraft, they are primarily responsible for surveillance and protection of the exclusive maritime zone and its approaches, with secondary antisurface and antisubmarine warfare missions. Moreover, so-called "public service" missions, covering principally maritime police and SAR (Search and Rescue), are added to this.

In addition, French Navy aircraft operate regularly for the Strategic Ocean Force by providing escort and protection for its SNLE [missile-launching nuclear submarines] during their transit to and from their patrol zones.

The traditional missions of the French Navy, in which its air formations participate, of course, are added to these missions specific to Naval Air: DOM-TOM [Overseas Departments - Overseas Territories] defense, protection of sea traffic, defense of outside interests, protection of the national sovereignty, and so on.

#### Aircraft in Service

##### Breguet Br 1050 Alize

The Alize, a carrier-based antisubmarine warfare aircraft, equips two fighter squadrons of carrier-based aircraft at present: the 4F at Lann-Bihoue and the 6F at Nîmes. A few units are also serving at the Hyeres-le-Palyvestre Onboard Fighter School (59S). The Alize, which went in service in 1959, is beginning to show its age and that is why all the aircraft in service are undergoing a modernization overhaul, in progress at present, involving replacement of their radar (Iguane radar) and their navigation system (Doppler system). These modifications are being made by the French Navy in its Saint Raphael establishment and all the Alizes should be thus modified before February 1984 (26 aircraft).

##### Vought F8E (FN) Crusader

Naval Air ordered 42 F8E (FN) Crusader at the beginning of the 1960's, in order to provide air coverage for the two aircraft carriers ("Foch" and "Clemenceau"), then under construction. Those aircraft, delivered starting in 1964, equipped Squadrons 12F and 14F, responsible for fleet air defense. In 1978, the 14F exchanged its Crusader aircraft for Super Etendard aircraft and the 12F, therefore, is the only squadron now still equipped with the American fighter.

##### Dassault Etendard IV

Altogether, 90 Etendard IV aircraft were ordered by the Navy, including 69 Etendard IV-M attack aircraft and 21 Etendard IV-P photoreconnaissance aircraft. Deliveries were staggered from July 1961 to July 1965, and five units were equipped with this aircraft: three fighter squadrons (11F, 15F and 17F), one photoreconnaissance squadron (16F) and the Onboard Fighter School (59S). Starting in 1978, the Etendard IV-M began to give way to the Super Etendard aircraft. Only the 16F still keeps its IV-P reconnaissance aircraft. Some IV-M airframes will be converted ultimately into IV-P, in order to increase the fleet's reconnaissance potential.

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Dassault Super Etendard

In 1973, the French Navy ordered 71 Super Etendard aircraft, 51 of which had been delivered as of 1 May 1981, in order to replace its Etendard IV-M and part of its Crusader aircraft. Because two aircraft were destroyed in accidents occurring in 1980, only 49 aircraft are operational at present in three fighter squadrons: 11F, 14F and 17F. In the future, replacement of the Crusaders in Squadron 12F with Super Etendard aircraft, which will then become the only jet fighter aircraft in Naval Air, is contemplated.

The Super Etendard, which is primarily responsible for the attack mission, is the first French onboard aircraft to have tactical nuclear capability. This aircraft can also participate, with some degree of effectiveness, in scouting, security and air defense missions for the fleet.

Breguet Br-1150 Atlantic Mk 1

Forty-one Breguet Atlantic aircraft, produced in cooperation by France and four other European countries, were ordered for the Navy, which wanted to equip its PATMAR squadrons with it. The production-line aircraft were delivered in 1966. At present, the Atlantic equips four of the five sea patrol squadrons (21F, 22F, 23F and 24F). It should be noted that three aircraft were lent to Pakistan, in 1975. Two of them were returned during the first half of the following year.

AMD-BA New Generation Atlantic (ANG)

The ANG, whose first flight dates back to last month, is an extrapolation of the Atlantic Mk 1. Forty-two units have been ordered, to date, by the Navy. Deliveries are anticipated starting early in 1986. The ANG will replace the oldest Atlantic Mk 1 and Neptune aircraft still in service in the PATMAR. The ANG differs from the Mk 1 in details of structure and of airframe arrangement and also in its entirely new weapons system. With regard to its armament, the ANG will be able to carry torpedoes, mines, bombs, rockets and AM-39 missiles. Its equipment is supplemented by a very complete and highly sophisticated electronic warfare system.

Lockheed P2 Neptune

Of the Neptune P2V-6 and P2V-7 aircraft bought by France, only 15 aircraft of this second version, called SP-2H in France, are still in service. Seven of them equip the only metropolitan squadron still using Neptune (the 25F), and eight others are serving in the Pacific in Flight 12S, based at Tahiti. The Neptune aircraft are scheduled for replacement, starting in the middle of this decade, with ANG aircraft and, to some extent, with Mystere 20H Gardian.

AMD-BA Mystere 20H Gardian

The Gardian, which is a sea surveillance aircraft derived from the Mystere 20 business twin-jet aircraft, was originally developed for the United States Coast Guard, which ordered 41 units. The French Navy, in turn, has ordered five aircraft, deliverable in 1983-1984. It is possible that these aircraft, primarily intended for public service missions, will be deployed in the Pacific.

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SA 321G Super Frelon

This amphibious three-turbine helicopter--the heaviest of the French helicopters--equips two squadrons of carried-based aircraft, at present. Several units also are serving in Flight 20S. The mission of Squadron 32F, based at Lanveoc-Poulmic, is all-weather antisubmarine warfare and it has seven machines. Squadron 33F, based at Saint-Mandrier, has five machines and specializes in commando attack transportation.

SA Alouette II and Alouette III

The Alouette II and III aircraft, used for a long time for antisubmarine warfare, for liaison and for various services ("Pedro" on aircraft carriers, close-in SAR), are undergoing replacement, in the Navy, with the WG 13 Lynx. The Alouette aircraft, which are from now on withdrawn from onboard aircraft squadrons, with the exception of a few III aircraft still in service in Squadron 35F, are serving, at present, in flights and service formations, including 22S, 23S and 20S.

Westland/Aerospatiale WG-13 Lynx

The French Navy has ordered 40 Lynx carried-based helicopters, the first of which was delivered in August 1978. As of 1 May 1981, the 26 machines in the first lot had been delivered and were assigned on a priority basis to two carrier-based anti-submarine warfare squadrons (31F and 34F). Other formations operate a few Lynx helicopters. That is true, especially, of Squadrons 35F and 20S.

Fouga Zephyr

The Zephyr, originally known under the name of Esquif, is a navalized version of the Fouga Magister whose first flight dates back to 1956. Of the 30 Zephyr aircraft ordered by the Navy, 15 are in service at present, all in Squadron 59S, which is actually the Onboard Fighter School. New Naval Air pilots, whose initial training is from now on handled by the Air Force, make their first carrier landings in Zephyr aircraft.

Miscellaneous

In addition to the aircraft types listed above, the Navy also has Nord 262, C-47D, Falcon 10 MER, C-54, DC-6, MS 760 Paris and Piper Navajo aircraft, in addition to some Cap 10 and Socata Rallye units, without overlooking the single Nord 2504.

These aircraft are assigned to service units. For example, the Nord aircraft serve in Flights 2S and 3S and also in the School for Specialization in Multiengines. The C-47D aircraft assigned to the Flight Personnel School (56S) will be replaced with Nord aircraft as soon as the Nord are themselves replaced in the ESM [School for Specialization in Multiengines] by the EMBRAER [Brazilian Aeronautics Company] Xingu aircraft ordered in 1980.

With regard to Naval Air equipment, a few points can be mentioned that risk raising serious problems during the next few years.

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With regard to carrier-based aircraft, placing the Super Etendard aircraft in service made it possible to increase the onboard offensive potential, especially owing to the aircraft's tactical nuclear capabilities. Although, moreover, the Super Etendard has a certain amount of air-to-air capability, this is limited after all and withdrawal of Crusader aircraft will leave the fleet without sufficient air coverage. Likewise, and in spite of the modernization program in progress at present, the antisubmarine warfare Alize aircraft will have to be withdrawn in the future and, at present, there is no aircraft in the world capable of replacing them, since production of the S-3A Viking was stopped. Although placing the Lynx in service has considerably improved the capabilities of onboard helicopters, it does not, however, solve the problem of antisubmarine protection of the fleet and of the aircraft carriers. Finally, withdrawal of the Super Frelon aircraft from service, which must be envisaged in the future, will raise the problem of their replacement, because, here too, there is not yet any entirely suitable helicopter.

Therefore, carrier-based aircraft are confronted with this paradox consisting of the existence of an extremely powerful and homogeneous attack component, but one that will be without sufficient antisubmarine and air defense means. Therefore, in the extreme, the question may be asked concerning knowing what the effectiveness and military value of that kind of carrier-based attack air force will be when, after withdrawal of the Crusader and Alize aircraft, it will have no means for being able to provide protection of the aircraft carriers from which it operates.

This remark leads necessarily to a questioning of the trend taken recently toward construction of two new nuclear-propelled aircraft carriers that are to have traditional onboard aircraft. Would it not have been preferable to order smaller, more flexible, and, therefore, less vulnerable light aircraft carriers using ADAC/V [vertical/short takeoff and landing (V/STOL)] aircraft? Of course, then the problem would have come up of the subsequent utilization of the Super Etendard aircraft, but it would certainly have been more economical to lose half the potential of those aircraft, scrapping them if absolutely necessary, rather than to be led, in order to use them, to build aircraft carriers that would necessarily be very costly (nuclear propulsion) and for which it will be necessary to develop a new system of antisubmarine and antiaircraft weapons that can have no other use.

With regard to sea patrol aircraft, the situation is less disturbing. The arrival of ANG aircraft will give this service new operational capabilities and will make modernization of its equipment possible. Nevertheless, too much stress seems to have been put on its "operational" patrol missions to the detriment of simple surveillance missions whose importance should, however, be stressed by the new public service missions entrusted to the French Navy. The purchase of Gardian aircraft certainly represents a step in the right direction, but it still is very insufficient for the moment.

Finally, with a few exceptions, the service units have equipment suited to their missions and whose replacement, in the future, should not raise any insurmountable problem.

## Conclusion

As may be deduced from reading the foregoing, Naval Aviation represents, at present, a group of means with good military effectiveness and satisfactory homogeneity and it should remain so until the end of this decade.

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But this positive evaluation must not cause the more questionable sides of the evolution followed by Naval Air during the last 20 years to be neglected, in spite of that. In fact, and in view of the evolution followed by foreign naval air forces, it can be wondered whether France really needs the burdensome military tool represented by its Naval Air.

For a country like France, an aircraft carrier cannot be used as the keystone of American-style autonomous task forces and its main role can be only to serve as a mobile, advanced air base, with a secondary mission of antisubmarine warfare and of convoy escort.

Now, if it is agreed that France's almost exclusive action zone is still Africa, it is perceived that the need for an advanced air base vanishes, because, so far, the Air Force or PATMAR has handled all air operations in Africa. Within the framework of the onboard antisubmarine warfare mission, moreover, it is seen that it can be handled as effectively and more economically by a combination of missile-launching ships and adapted helicopters. Antisubmarine warfare and convoy protection are left. They do not require aircraft carriers with a large displacement. Ships with a medium tonnage, equipped with V/STOL, prove to be by far sufficient.

In fact, it seems that the traditional aircraft carrier requires traditional, multipurpose onboard aircraft (air, antisubmarine, antisurface defense) for its own protection. Another conception of the aircraft carrier would also allow another more rational conception of its onboard component, without finding expression, in spite of that, in a loss of military effectiveness.

We would, therefore, be tempted to state that the present and foreseeable missions of Naval Air do not justify organization and equipment without taking the cost of the present formula into account. It is, in fact, difficult to claim that the cost/effectiveness ratio of the present Naval Air is entirely satisfactory and that it justifies pursuit of the evolution in progress.

Without wanting to attempt, for all that, to propose an ideal solution, it would seem that a Naval Air that associates the PATMAR strengthened by economical air surveillance means with onboard aircraft based on light aircraft carriers like the British "Invincible," equipped with V/STOL aircraft and ASW helicopters of the Sea King class, would be less anachronistic than the present formula, offering, at the same time, a cost/effectiveness ratio closer to the actual requirements and the means of the French Navy.

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## Naval Air Units

<u>Organization</u>	<u>Aircraft name</u>	<u>Mission</u>	<u>Shore base</u>
<b>I. Onboard aircraft</b>			
Flight 4F	Alize	Onboard antisubmarine warfare	Lann-Bihoue
Flight 6F	Alize	Onboard antisubmarine warfare	Nimes-Garons
Flight 11F	Super Etendard	Attack (nuclear and traditional) and fighter	Landivisiau
Flight 12F	Crusader	Air defense	Landivisiau
Flight 14F	Super Etendard	Attack (nuclear and traditional) and fighter	Landivisiau
Flight 16F	Etendard IV-P	Photoreconnaissance	Landivisiau
Flight 17F	Super Etendard	Attack (nuclear and traditional) and fighter	Hyerer
Flight 31F	Lynx	Onboard antisubmarine warfare	Saint Mandrier
Flight 32F	Super Frelon	All-weather antisubmarine warfare	Lanveoc-Poulmic
Flight 33F	Super Frelon	Attack transport	Saint Mandrier
Flight 34F	Lynx	Onboard antisubmarine warfare	Lanveoc-Poulmic
Flight 35F	Lynx, Al II	Jeanne d'Arc section	Lanveoc-Poulmic
<b>II. Sea Patrol Aircraft</b>			
Flight 21F	Atlantic	ASW/sea patrol	Nimes-Garons
Flight 22F	Atlantic	ASW/sea patrol	Nimes-Garons
Flight 23F	Atlantic	ASW/sea patrol	Lann-Bihoue
Flight 24F	Atlantic	ASW/sea patrol	Lann-Bihoue
Flight 25F	Neptune	ASW/sea patrol	Lann-Bihoue
<b>III. Training Formations</b>			
Squadron 55S	Nord 262	School for Specialization in Multiengines	Aspretto
Squadron 56S	C-47D	Flight Personnel School	Nimes-Garons
Squadron 59S	Zephyr, Alize, Etendard IV-M	Onboard Fighter School	Hyerer
<b>IV. Service Squadrons</b>			
Squadron 2S	N 262 Navajo	Support 1st and 2nd Maritime Regions	Lann-Bihoue
Squadron 3S	N 262 Navajo	Support 3rd Maritime Region	Hyerer
Squadron 22S	Alouette 2 & 3	Support and SAR 1st and 2nd Maritime Regions	Lanveoc-Poulmic
Squadron 23S	Alouette 2 & 3	Support and SAR 3rd Maritime Region	Saint Mandrier
Squadron 9S	C-47D, C-54, Neptune	Sea surveillance and services in New Caledonia	Noumea
Squadron 12S	Neptune	Sea surveillance in French Polynesia	Tahiti
Squadron 20S	Super Frelon, Lynx, Alouette 2 and 3	Experimentation and flight tests	Saint Raphael

[Table continued next page]

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Naval Air Units [continued]

<u>Organization</u>	<u>Aircraft name</u>	<u>Mission</u>	<u>Shore base</u>
V. Special Formations			
S S D	N 262 Navajo, DC-6	VIP transportation for staff	Bourget-Dugny
S R L	Paris, Falcon 10 MER	Instrument flight and jet training	Landivisiau
S E S	N 2504	CEPA [Practical Aeronautical Studies Commission]	Saint Raphael
S I V	Cap 10	Pilot selection	Saint Raphael
S V S	Rallye	Sport flying	Lanveoc-Poulmic
E R C	Various	Reception and convoying	Toussus-le-Noble

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